Quarterly Financial Report

1st QUARTER

Three months ended

May 31,

2007

Manitoba Public Insurance

Management Discussion and Analysis

Management's discussion and analysis provides a review of the financial results and future outlook of Manitoba Public Insurance. It should be read in conjunction with the unaudited financial statements for the first quarter ended May 31, 2007 included herein and the annual audited financial statements and supporting notes included in the corporation's 2006 Annual Report. Certain information in this report may consist of forward-looking statements. These statements are based on various techniques and assumptions including predictions about future events which may not occur. Actual results could deviate significantly from the forward-looking statements.

Goal 1

Universally available mandatory protection against the cost of automobile accidents. Rates, on average, will be lower than those charged by private insurance companies for comparable coverage and service.

Why? One reason for our creation was to deliver the best insurance value to Manitobans. This is the essence of our continuing success.

Driving and rating criteria:

- 2003 Chevrolet Impala (4 door, 6 cylinder)
- All Purpose Passenger Vehicle
- $2 Million Third Party Liability
- $500 Deductible in Manitoba (similar deductibles elsewhere)

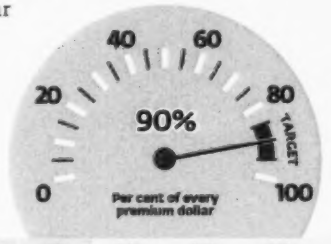
Among the lowest rates in Canada

Goal 2

The Basic plan will return at least 85% of premium revenue to Manitobans in the form of claims benefits.

Why? Over the long-term, returns within this range strike the right balance. We pay back to Manitobans substantially more of their premiums than would private insurers, while keeping a sound financial footing.

Premium returned for each dollar earned



Past Results (in per cent)

89%	92%	97%	90%	93%	96%	97%	90%
Q2-05/06	Q3-05/06	Q4-05/06	Q1-06/07	Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08

Goal 3

Manitoba Public Insurance will be a leader in automobile insurance and vehicle and driver licensing, providing Manitobans with superior products, coverage and service.

Why? By measuring key performance indicators, we can track the public's view of our performance.

Corporate Performance Index

Past Results

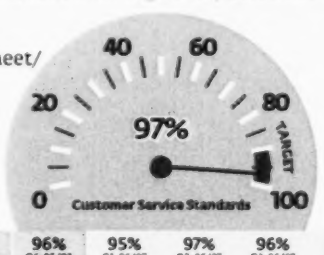
3.7	3.6	3.7	3.7	3.7	3.7	3.8	3.8
Q2-05/06	Q3-05/06	Q4-05/06	Q1-06/07	Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08

Goal 4

Manitoba Public Insurance will provide service that is responsive, fair, courteous and convenient. Manitoba Public Insurance will meet corporate customer service standards that are based on customer expectations.

Why? We value our customers and put their interests first. Also, Manitobans expect more from us than from private insurers, because Manitoba Public Insurance is their company. We believe their higher expectations are justified.

Overall, how often do we meet/ exceed standards



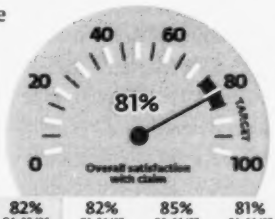
Past Results (in per cent)

97%	96%	96%	95%	97%	96%	96%	97%
Q2-05/06	Q3-05/06	Q4-05/06	Q1-06/07	Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08

Goal 4 continued

Customer Satisfaction in Major Operational Areas

Physical Damage Claims



Past Results (in per cent)

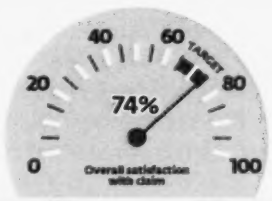
82%	81%	82%	82%	85%	81%	83%	81%
Q2-05/06	Q3-05/06	Q4-05/06	Q1-06/07	Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08

Driver and Vehicle Licensing

Past Results (in per cent)

88%	85%	92%	89%	92%	82%	88%	91%
Q2-05/06	Q3-05/06	Q4-05/06	Q1-06/07	Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08

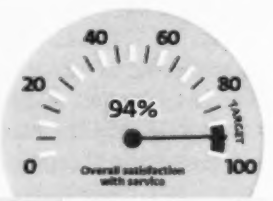
Bodily Injury Claims



Past Results (in per cent)

68%	74%	74%	74%
Q3-05/06	Q1-06/07	Q3-06/07	Q1-07/08

Insurance Operations Policyholder Transactions



Past Results (in per cent)

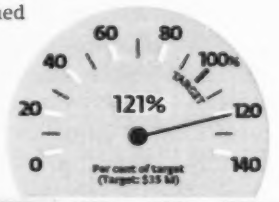
96%	97%	97%	98%	97%	98%	96%	94%
Q2-05/06	Q3-05/06	Q4-05/06	Q1-06/07	Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08

Goal 5

Retained Earnings and Rate Stabilization Reserve will be maintained within established target levels.

Why? Our long-term objective is to break even financially and to be financially self-sufficient. Maintaining the RSR within its target range helps us control rates when claim costs rise substantially. Manitobans deserve stable, affordable premiums over the long term.

Extension Retained Earnings



Past Results (in per cent)

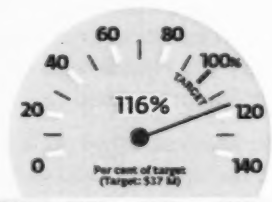
113%	117%	123%	139%	142%	135%	132%	121%
Q2-05/06	Q3-05/06	Q4-05/06	Q1-06/07	Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08

Basic Rate Stabilization Reserve

Past Results (in per cent)

88%	101%	64%	81%	84%	54%	60%	86%
Q2-05/06	Q3-05/06	Q4-05/06	Q1-06/07	Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08

SRE Retained Earnings



Past Results (in per cent)

130%	144%	128%	144%	158%	168%	175%	116%
Q2-05/06	Q3-05/06	Q4-05/06	Q1-06/07	Q2-06/07	Q3-06/07	Q4-06/07	Q1-07/08

Goal 6

Manitoba Public Insurance will offer an environment and career opportunities that will encourage employees to strive for excellence. Our people will be treated with respect and fairness and their contributions will be recognized.

Why? We value our employees.

Level of employee satisfaction

Past Results

81	79	76
Q3-03/04	Q3-04/05	Q2-06/07

Goal 7

Manitoba Public Insurance will lead driver and vehicle safety initiatives that reduce risk and protect Manitobans, their streets and their neighbourhoods. Manitobans will recognize the Corporation is living its mission.

Why? Pursuing traffic safety and loss-prevention programs reflects our long standing commitment to the well-being of Manitobans and to affordable auto insurance. Manitobans have told us they support these efforts.

Public support for road safety

Past Results (in per cent)

85%	85%	91%	93%
Q2-05/06	Q4-05/06	Q2-06/07	Q4-06/07

Results of Operations

Manitoba Public Insurance reported net income after surplus distribution of $64.8 million (2006 - $56.7 million) for the three months ended May 31, 2007. This includes net income of $52.2 million (2006 - $45.2 million) from the Basic Insurance line of business.

Current Year and Last Year

Total earned revenues for the three months increased from the previous year by $10.5 million. The majority of this increase is attributed to motor vehicle earned revenues which increased by $8.1 million or 4.6 per cent due mainly to increases in the number and value of vehicles insured. Investment income for the three months increased by $10.0 million compared to the same period last year primarily a result of higher gains on the sale of equities.

Claims costs for the three months ended May 31, 2007 increased by $8.1 million or 4.9 per cent compared to last year. Physical damage claims incurred increased by $3.5 million due mainly to a 9.5 per cent rise in the average cost per claim. Bodily injury claims incurred rose by $2.7 million as the severity of Personal Injury Protection Plan (PIPP) coverage types, such as income replacement and medical expenses, increased by 4.7 per cent. Contributing to the rise in claims costs was a $0.8 million increase in loss prevention/road safety expenses which includes reimbursement to customers under the Immobilizer Incentive Strategy and related costs of administering the Immobilizer Incentive Fund.

The corporation has established an Immobilizer Incentive Fund by appropriating $50.0 million from the Basic Rate Stabilization Reserve (RSR). The fund provides financial assistance for vehicle owners to install electronic immobilizers that meet the Canadian standard, including paying 50 per cent of the cost of the standard installation and providing interest-free financing for the remaining 50 per cent up to five years. In addition, the fund also covers 100 per cent of standard installation costs for vehicles most likely to be stolen, regardless of where in Manitoba they are registered. Activity to May 31, 2007 reduced the fund by $19.8 million to $30.2 million. The fund also covers the administrative costs of the program.

In addition, the corporation established on March 1, 2007, the Extension Development Fund (EDF), by appropriating competitive lines retained earnings in excess of the most recent year's target of 200 per cent of the Minimum Capital Test (MCT). The MCT is a risk-based methodology developed by the Office of the Superintendent of Financial Institutions (OSFI) to assess a property and casualty insurance company's financial risk and determines the capital adequacy of reserves held in retained earnings. On March 1, 2007 $39.0 million was transferred from competitive lines retained earnings to fund the EDF. The EDF is being used to fund service improvements made possible by the merger with the Division of Driver and Vehicle Licensing and that flow through the Competitive Lines statement of operations. Activity to May 31, 2007 reduced the EDF by $0.8 million to $38.2 million.

On November 20, 2006, the Public Utilities Board (PUB) released its ruling on the corporation's rate application for the 2007/08 fiscal year. Effective March 1, 2007, overall average Basic Insurance rates were decreased by 2.6%. The PUB also ordered the payment of a 10 per cent premium rebate to all Basic Insurance policyholders based on 2005/06 rates. At February 28, 2007, the rebate was estimated to be $60.0 million. The amount was actualized during the first three months of the current fiscal year when $59.8 million was distributed to Basic policyholders.

Transitional Adjustment

Effective on March 1, 2007 the corporation adopted the recommendations of CICA Handbook Section 1530, Comprehensive Income ("Section 1530"); Section 3855, Financial Instruments – Recognition and Measurement; Section 3861, Financial Instruments – Disclosure and Presentation; and Section 3251, Equity. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities and non-financial derivatives. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian Generally Accepted Accounting Principles (GAAP). These new accounting standards apply to interim and annual financial statements that relate to fiscal years starting on or after October 1, 2006.

The standards require that all financial assets and liabilities be classified as held-for-trading, held-to-maturity, available-for-sale, or loans and receivables. All financial assets, including derivatives, are measured at fair value, except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Changes in fair value for financial instruments classified as held-for-trading are recognized in net income from operations. Changes in fair value for financial instruments classified as available-for-sale are recorded directly in other comprehensive income until the instrument is sold or impaired. Unrealized losses considered other than temporary continue to be recognized as a change in net income from operations.

As required by the new standards, these changes have been applied as a transitional adjustment to Accumulated Other Comprehensive Income, without restatement of comparative figures.

Retained Earnings

Retained earnings of $337.0 million (2006 - $320.2 million) are comprised of $213.5 million for Basic Insurance (2006 - $218.4 million) and $123.5 million for competitive lines (2006 - $101.8 million). The Basic Insurance retained earnings are allocated to the Rate Stabilization Reserve $183.3 million and the Immobilizer Incentive Fund $30.2 million. The Competitive Lines retained earnings are allocated to retained earnings $85.3 million and the Extension Development Fund $38.2 million.

Outlook

The corporation remains committed to achieving its seven corporate goals. Actual results will be monitored, and corrective actions taken when necessary, to ensure that expected outcomes are realized.

Current projections indicate the corporation is expected to realize net income from operations of approximately $28.1 million during the current fiscal year.

On June 13, 2007 the corporation released its 2008/09 Basic Insurance rate application to the PUB which includes no overall average rate change from 2007/08 rates and proposes a 7.75 per cent premium rebate estimated to be $49.1 million. The PUB is expected to rule on the application in the fourth quarter of the fiscal year.

Statement of Operations
(Unaudited)

	Three months ended May 31,	
	2007	**2006**
	(in thousands of dollars)	
Premiums written	$ 234,239	$ 224,961
Total earned revenues	$ 213,626	$ 203,169
Claims costs	173,150	165,080
Expenses	41,911	37,790
Total claims and expenses	215,061	202,870
Underwriting income (loss)	(1,435)	299
Investment income, net	66,055	56,049
Net income from operations	64,620	56,348
Surplus distribution	136	324
Net income after surplus distribution	$ 64,756	$ 56,672

Balance Sheet
(Unaudited)

	May 31, 2007	February 28, 2007
	(in thousands of dollars)	
ASSETS		
Cash and investments	$ 2,078,882	$ 2,015,010
Accounts receivable	250,430	247,140
Other assets	94,242	95,581
	$ 2,423,554	$ 2,357,731
LIABILITIES		
Unearned premiums	$ 413,714	$ 403,929
Provision for unpaid claims	1,407,496	1,399,748
Provision for employee current and future benefits	183,617	180,251
Other liabilities	37,112	101,555
	2,041,939	2,085,483
RETAINED EARNINGS		
Basic insurance retained earnings		
Rate stabilization reserve	183,278	128,122
Immobilizer incentive fund	30,223	33,143
	213,501	161,265
Competitive lines retained earnings		
Retained earnings	85,339	110,983
Extension development fund	38,164	0
	123,503	110,983
	337,004	272,248
ACCUMLATED OTHER COMPREHENSIVE INCOME	44,611	0
	$ 2,423,554	$ 2,357,731

Statement of Retained Earnings

(Unaudited)

	Three months ended May 31,	
	2007	**2006**
	(in thousands of dollars)	
BASIC INSURANCE		
Rate Stabilization Reserve		
Balance beginning of period	$ 128,122	$ 136,071
Net income after surplus distribution	52,236	45,248
Transfer from (to) Immobilizer Incentive Fund	2,920	(7,494)
Balance end of period	183,278	173,825
Immobilizer Incentive Fund		
Balance beginning of period	33,143	37,063
Transfer from (to) Rate Stabilization Reserve	(2,920)	7,494
Balance end of period	30,223	44,557
Balance Basic Insurance Retained Earnings end of period	213,501	218,382
COMPETITIVE LINES		
Balance beginning of period	110,983	90,378
Net income from operations	12,520	11,424
Transfer to Extension Development Fund	(38,164)	0
Balance end of period	85,339	101,802
Extension Development Fund		
Balance beginning of period	0	0
Transfer from Competitive Lines Retained Earnings	38,164	0
Balance end of period	38,164	0
Balance Competitive Lines Retained Earnings end of period	123,503	101,802
Balance Retained Earnings end of period	$ 337,004	$ 320,184

Statement of Comprehensive Income
(Unaudited)

	Three months ended May 31, 2007	2006
	(in thousands of dollars)	
Net income after surplus distribution	$ 64,756	$ 56,672
Other Comprehensive Loss		
Unrealized losses on available-for-sale financial assets	(856)	
Reclassification of realized gains to the Statement of Operations	(34,808)	
Net change in Other Comprehensive Loss for the period	(35,664)	
Total Comprehensive Income for the period	$ 29,092	

Statement of Accumulated Other Comprehensive Income
(Unaudited)

Transitional adjustment (Note 3)	$ 80,275
Net change in Other Comprehensive Loss for the period	(35,664)
Balance end of period	$ 44,611

Statement of Cash Flows

(Unaudited)

	Three months ended May 31, 2007	Three months ended May 31, 2006
	(in thousands of dollars)	
Cash Flows From (To) Operating Activities		
Net income after surplus distribution	$ 64,756	$ 56,672
Non-cash items	(1,685)	(6,167)
	63,071	50,505
Net change in non-cash balances	(44,534)	(43,643)
	18,537	6,862
Cash Flows From (To) Investing Activities	(43,030)	(54,756)
Decrease In Cash and Short-term Investments	(24,493)	(47,894)
Cash and short-term investments beginning of period	57,100	90,334
Cash and Short-term Investments End of Period	$ 32,607	$ 42,440

Notes to Financial Statements

1. Certain of the comparative figures have been reclassified to conform with the current period financial statement presentation.

2. These interim financial statements:

   - should be read in conjunction with the corporation's 2006 Annual Report including the financial statements and supporting notes.

   - have been prepared following the same accounting policies that are disclosed in the corporation's 2006 Annual Report.

3. Effective on March 1, 2007 the corporation adopted the recommendations of CICA Handbook Section 1530, Comprehensive Income ("Section 1530"); Section 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 3251, Equity. These sections provide standards for recognition, measurement, disclosure and presentation of financial assets, financial liabilities, and non-financial derivatives. Section 1530 provides standards for the reporting and presentation of comprehensive income, which represents the change in equity, from transactions and other events and circumstances from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian Generally Accepted Accounting Principles (GAAP). The effect of the application of these standards increased the carrying value of investments by $80,275,000 from $2,015,010,000 to $2,095,285,000 at March 1, 2007 to reflect the fair value of available-for-sale financial assets.

MANITOBA PUBLIC INSURANCE OFFICES

Administrative Offices

Brandon
731-1st Street
R7A 6C3
Tel: 729-9400
Head office and Special Risk Extension

Winnipeg
Box 6300
R3C 4A4
Tel: 985-7000

Outside Winnipeg
Tel: 1-800-665-2410

Deaf access TTY / TDD
Tel: 985-8832

Claim Offices

WINNIPEG LOCATIONS

North
445 King Street
R2W 5H2
Fax: 942-8317

North Central
1103 Pacific Avenue
R3E 1G7
Fax: 783-2764

South
930 St. Mary's Road
R2M 4A8
Fax: 254-0308

South Central
420 Pembina Highway
R3L 2E9
Fax: 284-7675

West
125 King Edward Street East
R3H 0V9
Fax: 783-0374

Casualty and Rehabilitation
Box 6300
R3C 4A4
Tel: 985-7200

Rehabilitative Case Management
Box 6300
R3C 4A4
Tel: 985-7200

Bodily Injury and MedEx Injury
Box 6300
R3C 4A4
Tel: 985-7200

Physical Damage Centre
1981 Plessis Road
Box 45064
Regent Postal Outlet
R2C 5C7
Tel: 985-7771

Holding Compound
Tel: 985-7771

Salvage
Tel: 985-7844

Commercial Claims
Tel: 985-7877

PROVINCIAL LOCATIONS

Arborg
323 Sunset Boulevard
Box 418
R0C 0A0
Tel: 376-6633

Beausejour
848 Park Avenue
Box 100A
R0E 0C0
Tel: 268-6400

Brandon
731-1st Street
R7A 6C3
Tel: 729-9555 Claim Centre
Tel: 1-800-852-2743 Rural

Dauphin
217 Industrial Road
Box 3000
R7N 2V5
Tel: 622-2750

Flin Flon
8 Timber Lane
Box 250
R8A 1M9
Tel: 681-2200

Portage la Prairie
2007 Saskatchewan Avenue West
Box 1150
R1N 3J9
Tel: 856-2600

Selkirk
630 Sophia Street
R1A 2K1
Tel: 482-1400

Steinbach
91 North Front Drive
Box 2139
R5G 1N7
Tel: 326-4453

Steinbach Injury Claim Services Clearspring Mall 2
PTH 12
R5G 1T7
Tel: 346- 8030

Swan River
125-4th Avenue North
Box 1959
R0L 1Z0
Tel: 734-4574

The Pas
424 Fischer Avenue
Box 9100
R9A 1R5
Tel: 627-2200

Thompson
53 Commercial Place
Box 760
R8N 1N5
Tel: 677-1400

Winkler
355 Boundary Trail
Box 1990
R6W 4B7
Tel: 325-9538

Driver and Vehicle Licensing Centres

WINNIPEG LOCATIONS

1075 Portage Avenue
R3G 0S1
Tel: 985-7000

Main Floor –
330 Graham Avenue
R3C 1M8
Tel: 985-7000

2020 Corydon Avenue
R3P 0N2
Tel: 985-8992

2188 McPhillips Street
R2V 3C8
Tel: 985-8984

1006 Nairn Avenue
R2L 0Y2
Tel: 985-8043

PROVINCIAL LOCATIONS

Portage la Prairie
Provincial Building
25 Tupper Street North
R1N 3K1
Tel: 856-2624

Brandon
602-1st Street
R7A 6K5
Tel: 729-9487

Dauphin
Provincial Building
27-2nd Avenue Southwest
R7N 3E5
Tel: 622-2783

Thompson
Provincial Building
105–59 Elizabeth Drive
R8N 1X4
Tel: 677-1421

Winkler
355 Boundary Trail
Box 1990
R6W 4B7
Tel: 325-9538

Manitoba
Public Insurance

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